



OFFICE OF THE ATTORNEY GENERAL

Catherine Cortez Masto, *Attorney General*

555 E. Washington Avenue, Suite 3900
Las Vegas, Nevada 89101
Telephone - (702) 486-3420
Fax - (702) 486-3283
Web - <http://ag.state.nv.us>

FOR IMMEDIATE RELEASE
November 15, 2010

Edie Cartwright
775.684.1189

SETTLEMENT PRESERVES COMPETITION LOST IN THE LAS VEGAS AREA THROUGH UNIVERSAL HEALTH SERVICES' \$3.1 BILLION ACQUISITION OF PSYCHIATRIC SOLUTIONS

Las Vegas, NV—Nevada has filed antitrust lawsuit and settlement papers directing Universal Health Services, Inc. (UHS) and Psychiatric Solutions, Inc. (PSI) to sell PSI's psychiatric hospital assets in Las Vegas in order to proceed with their proposed merger. The local hospitals which must be sold, known as Montevista Hospital and Red Rock Behavioral Health Hospital, specialize in treating patients that require acute inpatient psychiatric services.

"There is a shortage of hospital beds in the Las Vegas area for those who are dangers to themselves or others, and hence need acute inpatient psychiatric care," said General Masto. "When this merger was announced, it was important to examine its competitive effects, including whether the transaction may decrease the availability of this life-saving service even more. The divestiture of PSI's psychiatric hospitals in Las Vegas resolves competitive concerns as it maintains the status quo."

Given UHS' and PSI's \$3.1 billion merger agreement affects behavioral health care markets nationwide, the Attorney General's Bureau of Consumer Protection staff investigated the transaction along with the Federal Trade Commission. The Federal Trade Commission also sought divestiture relief in Delaware and Puerto Rico.

The Las Vegas area has a highly concentrated market for acute inpatient psychiatric services, which, as described in the complaint, involves the diagnosis, treatment, and care of patients deemed, due to an acute psychiatric condition, to be a threat to themselves or others or unable to perform basic life functions. According to the complaint, the acquisition would have reduced the number of meaningful competitors from four to three and the combined firm would have controlled about 70% of the Las Vegas market for this service if the acquisition had occurred as planned. Local public mental health facilities are excluded from this analysis given their focus on serving indigent patients, as opposed to the insured patients that UHS and PSI treat.

The complaint also alleges that the transaction, as planned, would increase the likelihood of an increase in prices for, or a decrease in the availability of, acute inpatient psychiatric services in the Las Vegas area, hence violating federal and Nevada antitrust laws.

The settlement papers, subject to court approval, detail the divestiture requirements and other relief:

- UHS and PSI must sell PSI's two local psychiatric hospitals and related assets to a buyer approved by the Attorney General within 6 months.
- UHS and PSI must hold separate these two hospitals from their other businesses and maintain them in a way to ensure their economic and competitive viability in accordance with past practices. The Attorney General will appoint an independent third party, known as a Hold Separate Trustee, to help accomplish this requirement.
- UHS and PSI have agreed to provide notice to the Attorney General of future acquisitions that involve acute inpatient psychiatric services in the State of Nevada.

Additionally, UHS and PSI have agreed to reimburse the Office of the Attorney General its attorneys' fees and costs resulting from the investigation, as well as for any potential future investigations regarding compliance with the settlement papers. In the event of non-compliance, UHS and PSI would be subject to monetary penalties, injunctive relief, and other relief the court deems appropriate.

Filed in the United States District Court, District of Nevada, the lawsuit is called The State of Nevada v. Universal Health Services, Inc., Alan B. Miller, and Psychiatric Solutions, Inc., No. 2:10-cv-01984.